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AUTHOR Jacobs, T. O.
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ABSTRACT

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Leadership and Social Exchange

T.O. Jacobs

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The paper contains substantial material from Dr. Jacobs' book, *Leadership and Exchange in Formal Organizations*, Human Resources Research Organization, Alexandria, Virginia, December 1970 (Copyright © 1971 by HumRRO). The book is an extensive review of the literature on leadership in formal organizations performed for The Office of Naval Research, Group Psychology Programs, under Contract No. N00014-70-C-0091, NR 171-811/9-4-69 (452). This copyrighted material is being used with the permission of the copyright holder.

LEADERSHIP AND SOCIAL EXCHANGE[1]

T.O. Jacobs

In a recent review of a portion of the literature on influence, leadership, and control, Cartwright (1965) commented apprehensively on the scope of the subjects he had found under this general rubric, and on the consequent difficulty of imposing theoretical order on this domain of findings. Examination of almost any other review of leadership literature (e.g., Hollander and Julian, 1969a; Jacobs, 1970) confirms the problems involved. Perhaps the greatest weakness in the leadership literature is the striking lack of precision with which the term has been used and the conditions under which it has been studied. Analysis of the measurements that have been employed, and the situational contexts surrounding their use, indicates that the operational concept ranges from verbal fluency to the exercise of coercive power, and sometimes even includes authority relationships established by the "demand" characteristics of instructions provided subjects by experimenters.

To the practitioner and organizational psychologist, there still remain two basic questions that must be answered before more systematic approaches to developing leadership training can be identified. The first of these is what, in behavior terms, constitutes leadership. The second is under what conditions these behaviors can be learned by individuals in training, and how training developed for one context can be made general to other contexts.

Perhaps the most serious obstacle to dealing with leadership in behavioral terms is the fact that what has been found to be effective as behavior is basically indeterminate, unless one wishes to go to very general behaviors such as "facilitating goal attainment." As Stogdill (1948) noted, the content of effective leadership is dependent upon characteristics of the leader himself, those of the followers, and the demand characteristics of the group's situation. Because each of these three variables can take many values on each of many dimensions, it is an impossible task to catalog the behaviors for each of the almost innumerable combinations that emerge. Consequently, a continuing objective of research has been to attempt to identify underlying dimensions by which leadership could be characterized either in more simplistic or universalistic terms (e.g., Bowers and Seashore, 1966) that would generalize meaningfully to a wider variety of situations. The utility of such a development for the organizational psychologist is straightforward. It would enable him to generate training that would be useful to a much wider variety of organization members than is really the case at present.

At the risk of being overly ambitious, the purpose of this paper is to explore the potential of social exchange theory as just such an underlying explanatory framework for dealing with leadership phenomena. In so doing, a generalized definition of leadership will be developed, the formation of leadership skills during early socialization processes will be subjected to conjecture, and applications of leadership behavior to the achievement of organizational goals will be discussed.

[1] This paper contains substantial material from Jacobs, T.O. *Leadership and Exchange in Formal Organizations*, Human Resources Research Organization (HumRRO), Alexandria, Virginia, December 1970 (Copyright ©1971 by HumRRO), an extensive review of the literature on leadership in formal organizations performed for The Office of Naval Research, Group Psychology Programs. This copyrighted material is being used with the permission of the copyright holder.

Social Exchange and Differential Influence

Virtually all theorists agree that leadership is, in essence, influence of some sort. However, the matter of exactly what kind of influence is very much open to question and, to some, it has been almost an emotional issue. For the Ohio State University researchers (e.g., Shartle, 1963) leadership was the behavior of a leader, who, in turn, was defined as an individual in a given office or position of apparently high influence potential. Gibb (1947), somewhat petulantly, defined leadership as *not* headship. Others (e.g., Cartwright, 1959) focus more on power as a central variable, the antithesis of Gibb's approach. Hollander (e.g., Hollander and Julian, 1969b) describes leadership as a transaction between one person and others in a group, wherein the individual obtains the capacity to influence others by virtue of making a unique contribution to the attainment of group goals. In this last view, the individual who acquires such influence potential is then the group's informal leader. (It is relevant to note, however, that an appointed leader may, and probably must, *validate* his position as a formal leader by contributing uniquely to the success of the group in accomplishing its objectives.)

The Hollander conceptualization of influence emergence ("idiosyncrasy credit") is strikingly similar to a frame of reference developed by Homans (1958, 1964) and Blau (1964). Homans has been given credit for having first conceptualized communication and interaction within groups as an exchange process involving an exchange of both material and nonmaterial goods. In Homans' view, social exchange between two persons consists of behavior that, if the relationship is not to be transient, each must regard as rewarding. At its most basic level, such behavior might consist of a compliment, an expression of interest, and so forth.

Some of these behaviors are produced at a cost, while some are essentially cost-free. For example, a compliment usually "costs" little; however, asking for advice is an *implied* compliment of a different sort, which *is* costly to the requester. The implied compliment is that the other is more competent. The cost is a loss of self-esteem or stature relative to the other.

A basic premise of social exchange theory is that social behavior is regulated by the relative costs and benefits of such behavior to participants, under the assumption that *each individual seeks to maximize his benefits and reduce his costs.* It appears that leadership can profitably be viewed from the same frame of reference. As Hollander and Julian (1969b) note, the leadership role requires an unusual level of competence that most group members do not have. Because individuals with this level of competence (usually in an area that contributes to the attainment of group goals) are relatively rare, they are almost always highly valued by their groups. Because they can provide unique contributions to the attainment of group goals, it becomes worthwhile for their groups to provide them with unique rewards in return. These rewards usually take the form of status, esteem, and influence potential.

The relationship between the leader and his group therefore is an equilibrium, as shown in Figure 1, in which benefits of *roughly equal value* are exchanged between the leader and the led. It is probable that there is a strong tendency for this exchange to reach a point of stable equilibrium, in which the esteem satisfactions the leader may extract from his position in the group are just balanced by the value of the contributions he can make to the group, where that value is determined by the group through either explicit or implicit consensus.

Socialization and the Development of Leadership Skills

Hollander (1964) suggests that the process of *emergence* to a position of leadership probably consists first of gaining visibility and then of consolidating gains. The key processes apparently consist of both conforming to the group's norms, at least initially,

Exchange Between Leader and Group

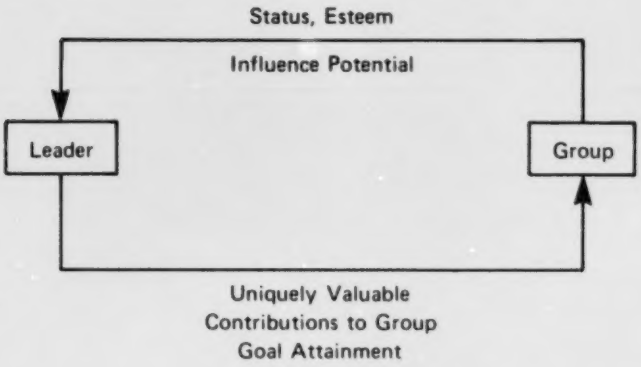

Figure 1

and making uniquely valuable contributions to the attainment of group goals. Exchange theory suggests still a third requirement, that of estimating the worth of one's contributions, and then bargaining successfully with the group to obtain approximately the level of status and esteem satisfactions they expect will be demanded in return for these contributions. The literature supports each of these propositions. There is a good chance that an individual will exclude himself from a position of leadership if he fails to meet any of these requirements.

Analysis of these general skills suggests that they probably have their beginnings in early socialization experiences, and that they are developed to some stage of adult maturity through the socialization experience. For example, the requirement to conform to group norms is in itself a requirement for skills necessary to learn what these norms are—or to already have learned them. The interaction skills needed to gain visibility—perhaps what constitutes Carter's (1954) individual prominence factor—without alienating (Geier, 1967) other group members would certainly seem to depend heavily for their development on the socialization experience.

The question of *what* experience during socialization is relevant, is, of course, speculative. Not nearly so much work has been done in this area as is needed. However, social exchange theory offers a model for such speculation that has tempting face validity, if not more penetrating accuracy. The most fundamental interaction between people, according to this orientation, is that which is mutually satisfying. The satisfactions involved can be quite simple, perhaps even consisting of the mere presence of an agreeable or attractive other person. The need for association with others is probably fundamental in normal humans, and in most or all cultures. In all likelihood, it is a learned need that derives from early experiences, such as that of the infant experiencing satisfaction of his own physical needs in association with the presence of others. Harlow (1958) and Harlow and Suomi (1970) have presented data suggesting strongly that the comfort derived from being held by others, such as a parent holding a baby, or other physical contact may even be necessary for normal development.

It is probable that the ability to engage in successful social exchange at later ages is developed from the learned need for the presence of others, perhaps following a sequence similar to that shown in Figure 2. As physical needs are satisfied, the mere presence of other persons becomes rewarding and eventually leads to behavior that is successful both in attracting the attention of others and then in obtaining their approval.

Once the child has learned to seek approval by others, this becomes one of his basic goals, and a basic "benefit" in the social exchange process. It also serves as one of the

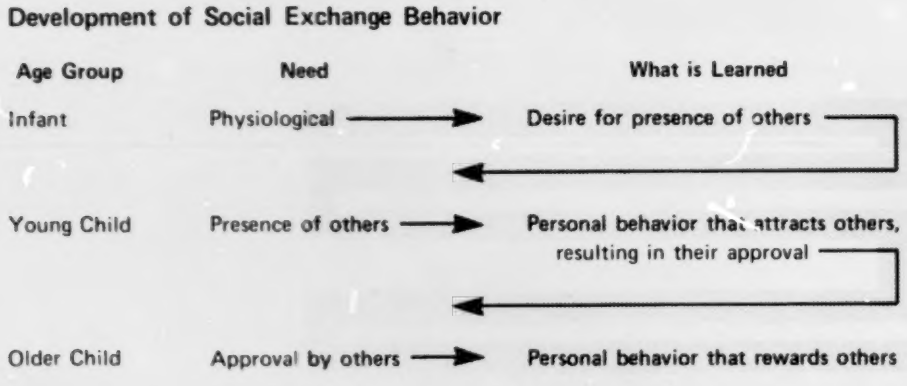

Figure 2

motivating forces that brings individuals together in social groups and a type of satisfaction that members of groups in formal organizations derive from their group membership. However, there are social exchange skills, probably also learned at an early age, that go well beyond these.

As the child engages in social behavior with other children, he probably continues the basically self-oriented behavior that was his pattern with adults. However, other *children* engage in the same types of behavior toward him. The result is that he neither approves of them, nor they of him, although each is seeking approval. Additional trial-and-error learning is therefore necessary. This probably consists in the main of learning that approval from others can be exchanged for behaviors that reward others in some way. In this manner, the basic norm of reciprocity (Gouldner, 1960) is learned. Examples of such behaviors are elementary, for example, sharing a toy or sharing some candy.

However, with sharing, there nearly always is a limit. While a desirable toy may attract substantial attention and approval (rewards) from others for sharing, such sharing constitutes a relative deprivation for the child who owns the toy. Sharing then constitutes a "benefit" for others that can be generated only at a "cost" to the person providing it.

A fundamental assumption in social exchange theory is that there is a strong tendency toward maximizing benefits/costs ratios. That is, where toy sharing is involved, the child will seek to minimize the time the toy must be shared (the cost) in order to obtain the desired presence and approval of the other child (the return benefit).

It is suggestive to speculate that a substantial part of the learning during early social exchanges of this sort consists of what is valuable to other people and, more specifically, how valuable certain intangible benefits are. In all likelihood, such exchanges also lead the individual to develop an evaluation of himself, that is, what he can expect from others in exchange for his approval of them, and to develop skills in "bargaining" whereby he maximizes benefits/costs ratios. Friendship selection should be predicated at least in part on such processes, for example.

More sophisticated learning undoubtedly takes place at later points. As an example, the child must also learn about the role of power in interpersonal relationships. His earlier lack of a mature social conscience undoubtedly leads him to attempt techniques for minimizing costs that are not acceptable to more highly socialized adults—for example, the use of physical force, or direct verbal assault and insult, as "low-cost" ways of obtaining desired benefits. However, as the socialization process continues, these behaviors may, and usually do, become tempered by the finding that "approval" obtained by coercion is not lasting. On the other hand, the child may well find that such physical

assets *can* be used in other ways to obtain positive approval, for example, when such behavior benefits someone else.

As an example, the child who is physically capable of successful aggression may find a friend to be the subject of aggression by still another child. By protecting his friend, he can earn gratitude that is enduring. Thus, his physical assets become of high value to his friends, and he is then able to obtain the rewards of social presence and approval in a positive and enduring way, often without actual further costs to himself. Because of benefits he provides to friends, he may find that he then can influence them in areas related to his own needs. To an extent, this form of influence is still tinged with the potential for coercion, by virtue of the fact that he can threaten to withhold his protection if the other child does not conform. However, it clearly is not the same as direct coercion.

This discussion, while admittedly conjectural in nature, illustrates several important principles of social exchange theory:

(1) Social exchange behavior probably derives basically from a need for the approval of other persons.
(2) A key element in the socialization of the child and in the development of exchange skills is the expectation that rewards ("benefits") will be reciprocated.
(3) There is a strong tendency to maximize the ratio of benefits to costs.
(4) A superior bargaining position, particularly stemming from the ability to command scarce or uniquely desirable resources, is fundamental to the concept of power and the ability to influence others.
(5) While power over others can be obtained by coercion, it does not satisfy the same needs as that obtained by positive means.

This overview of possible developmental processes leading to the acquisition of social exchange skills has been, of necessity, brief. However, the intent has been to illustrate an approach that probably is necessary in leadership research and theory construction. In order to understand leadership in formal organizations, it is probably going to be necessary to understand the norms, values, and social responses the individual brings with him into the formal context. While socialization processes admittedly continue beyond this point in time, they operate on persons who are already heavily influenced by their many preceding years of social learning. A basic problem with most current theories is that they do not give explicit attention to the outcome of these prior socialization experiences. It is hoped that social exchange theory may offer a basis for further research.

Within the current frame of reference, stable group leadership then probably consists of an established social exchange process between leader and group members, in which the leader makes unique and valuable contributions to the attainment of group goals, and, in turn, is rewarded with unique status and esteem by group members. This is an exchange that is viewed by both sides as equitable, that is, "fair." In order for the leader's unique assets to be rewarded with status and esteem, however, he must desire these rewards (feel that they are sufficiently valuable to merit the extra effort that he must exert to make unique contributions to the group). Otherwise, the group will probably accept his contributions without conferring status in return.

Leadership in Formal Organizations

It is possible to apply this kind of analysis to the behavior of superordinates in formal organizations. In general, organizations exist as hierarchical structures of positions, varying in complexity (Cyert and MacCrimmon, 1968). As Figure 3 shows, in a highly over-simplified view of organization structure, each position is associated with a statement of responsibilities and a statement of required actions. Taken together, these constitute a

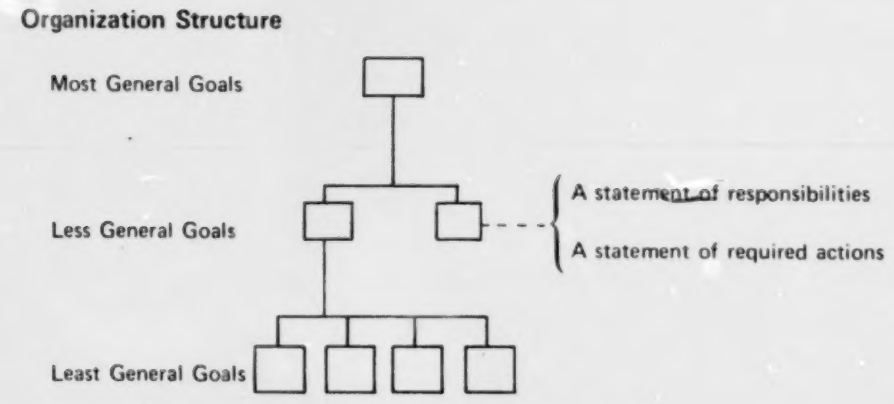

Figure 3

set of programs and constraints that govern the behavior of the position's incumbent. The statement of required actions constitutes an organizational role that any person holding a given position would be expected to perform. The structure of roles within an organization serves the purpose of translating organizational goals from quite general statements at the highest levels into successively more detailed statements at lower levels.

Perhaps the two most important requirements of any intermediate role (position) within an organization are the definition of goals to be achieved by personnel at lower levels and the facilitation of their attainment. These requirements define a higher order need for supervision by one level of the activities of another. To the extent that superordinate and subordinate levels share expectations that this supervision will be exercised, *these requirements serve as the basis of the authority one position incumbent has over another*, and provides for one type of influence by superordinates over subordinates.

The nature of the authority relationship has long been a focus of attention for theory-building and practice among organizational psychologists. Structural theorists initially conceptualized authority as a one-way flow of influence. However, in recent years, there has been increasing recognition that organizational authority rests on the acceptance or consent of the individuals over whom authority is exercised. Barnard (1952) suggested that a subordinate would accept a communication as authoritative only if at the time of his decision he could believe the communication to be consistent with the purpose of the organization, and that he could comply with its contents. In his view, there was a "zone of indifference" within which influence attempts by superordinates were accepted without question; this zone of indifference, supported by norms of subordinates and their expectations for the role behavior of superordinates, constituted an operational definition of authority.

However, the concept of authority—as in leadership—is by no means entirely clear-cut. For example, Scott, *et al.* (1967) defined authority as authorization to engage in certain attempts at control. In this view, one position incumbent has authority over another to the extent that his control attempts would be supported *by his own superordinate* in the organization. Peabody (1964), recognizing the need for a comprehensive analysis of authority to include the sanctions of both subordinates and superordinates, distinguished between *formal* and *functional* authority. Formal authority was thought to be based on formal position, the legitimacy of the control attempt by the position incumbent, and the capacity for positive and negative sanctions inherent in the position itself. In contrast, functional authority was thought to be derived from

recognition of professional competence, experience, and human relations skills, which might either support or compete with formal authority.

The apparent need to differentiate between functional and formal authority is indicative of the confusion in the organizational psychology literature between the concepts of authority and power. While authority is thought to rest on the consent of influence recipients, most definitions of power suggest that it is an aspect of a relationship between people (not an attribute of a given person), and that it consists of one person's capacity to get another to do something he otherwise would not do.

A useful basis for distinguishing conceptually between authority and power (and this will also be useful for distinguishing between these two and leadership at a later point) is in terms of *the impact of the influence attempt on the influence target*. The essence of an influence attempt based on power is the capacity to inflict a cost on the influence target if he does not comply. In a social exchange sense, this capacity is derived either from the ability to withhold a needed benefit, or the ability to inflict costs that otherwise would not have been experienced. *It thus is ultimately coercive in nature.* There consequently is an inevitable cost associated with an influence attempt based on power. Perhaps this is because the requirement to comply with coercive influence constitutes an invidious comparison between the actor and the influence target, with regard to their relative situations. Thus, the negative value of compliance to coercive influence may stem from the negative esteem comparison thereby provided between the target and the actor who has forced compliance. Because a positive self-concept is quite important, such denigrating comparisons must inevitably be resented, with the result that the exercise of power "costs" the user.

A second reason why the exercise of power is costly is that where power differentials exist, especially large differentials, there is a risk that an unintentional use of power will prove damaging to the less powerful member. As Wrong (1968, p. 677) suggests, "Does not the elephant who dances with the chickens exercise a power of life and death over them even though he has no wish to trample them under foot?"

Interestingly, the esteem costs associated with the use of power seem to be recognized, in many cases, by more powerful persons, who then may pursue strategies to reduce the *apparent* differential, at least on matters *not* directly related to the basis for power (or authority), in order to be able to deal more effectively with less powerful persons on matters that are related (Jones, Gergen, and Jones, 1933). There also are strategies by less powerful persons to escape the exercise of power over them (e.g., Cartwright, 1965; Emerson, 1962):

(1) To reduce the power differential by means of balancing actions.
(2) To seek approval from the more powerful figure on some basis other than the one upon which the power differential is based.
(3) To increase the distance between oneself and the more powerful through reduced interaction, withdrawal from the relationship, or both. (This is a basic cause of communication failure within formal organizations.)

Bases of Power

However, it has not always been clear that power is an unequivocal evil. For example, French and Raven (1959) developed a now well-known taxonomy of power bases, which included reward power, coercive power, legitimate power, referent power, and expert power. The substantial body of research performed to test the theoretical clarity and utility of this taxonomy has unfortunately not confirmed that these power bases exist independently of one another in the real world. Thus, theoretical distinctions

between them may well be spurious. With this criticism, however, Schopler (1965) cited research findings leading to the following conclusions:

(1) Coercive power induces greater resistance than reward power, although the conformity to both may be comparable.
(2) Users of reward power are liked more than coercive power figures.
(3) Conformity to coercive power increases with the strength of the potential punishment, while both conformity and liking for the power figure decrease as the strength of their resistance force increases.
(4) As the legitimacy of a punishing act increases, conformity also increases, although liking for the punishing figure does not.
(5) Expertness on one task produces the ability to exert influence on a second, but only when there is comparability between the two.

These findings generally support the predictions derived from the taxonomy. In particular, influence based upon coercion appears to create resistance. Two additional studies, published after the Schopler (1965) review, confirmed these findings and suggested more potential criticisms of this taxonomy. Student (1968) correlated measures of industrial productivity with perceptions of power bases used by foremen. It appeared from examination of his correlations that supervisors tended to mix influence attempts based upon legitimate power, reward power, and coercive power. Conversely, expert and referent power tended to be mixed by others. Warren (1968) found that conformity of teachers to the desires of their principals was greater when only referent power was used, rather than when referent power was used in conjunction with other types of power.

Organizational Effectiveness

The question of the response of the influence target to the influence attempt is, as the preceding applies, of key interest insofar as organizational effectiveness is concerned. Theoretically, organizational effectiveness should be maximized to the extent that resistance to supervisory influence attempts can be minimized. It thus would appear advantageous to define organizational *leadership* in terms of techniques that produce compliance without resistance. This contention is supported by both Peabody's (1964) findings and a reformulation of the French and Raven (1959) taxonomy by Raven (1964).

Peabody conducted an extensive study of authority relationships in three formal organizations and found evidence that superordinates and subordinates view authority from qualitatively different frames of reference. Superordinates were inclined to define authority as an attribute of position, whereas rank-and-file members were more likely to cite expertise as the basis for authority. Perhaps at the risk of going beyond Peabody's data, this seems to suggest that superordinates are more interested in protecting their influence potential (by attributing it to position, which is immutable), while subordinates are more interested in reducing the degree to which superordinate authority is arbitrary. Unlike participants in Simon's (1952) theoretical "employment contract," it appeared that the subordinates in Peabody's study *did* concern themselves with equality of the order given—perhaps, as Barnard suggested, to determine the extent to which it was, in fact, legitimate, judged by its probable impact on the performance of their own jobs. In contrast, the view of the superordinate tended to be that of issuing orders with the expectation that they would be obeyed.

Raven's revision of the French and Raven taxonomy identified six types of influence. These were defined in large measure in terms of the impact of the influence attempt on the recipient, and the extent to which supervision was likely to be necessary to ensure compliance. Thus, the new Raven taxonomy reflects as a basic concern the impact of the influence attempt on the influence target.

These considerations suggest the following definitions for power, authority, and leadership:

(1) Power. The capacity to deprive another of needed satisfactions or benefits, or to inflict costs on him for noncompliance with an influence attempt. Compliance requires observation by the influencing agent, because the influence target will seek to obtain rewards by ulterior means, if possible, and to avoid punishments by leaving the situation, whenever able. Implications for organizational effectiveness stem from the effectiveness of resistance, and the cost of supervision to ensure that the desired performance occurs. Communication, during an influence attempt upon power, need not be two-way, and often will not be.

(2) Authority. This resides in the relationships between positions in an organization, and is derived from consensually validated role expectations for the position incumbents involved. An influence attempt based upon authority is not resisted, because it is expected that such influence attempts will be necessary to achieve objectives. Thus, authority is not arbitrary. The exercise of authority is required of the superordinate (e.g., Emerson, 1962) by the organization, and compliance with authoritative influence attempts is required of the subordinate; for both, the specified behavior is that which is required for organizational effectiveness, and is the price paid for organizational membership. Authority is limited both in scope and in the manner in which it may be employed. Authority-based interactions apparently create little resentment, because they do not necessarily imply invidious esteem comparisons. For example, McClelland (1969) has data suggesting that when an authority figure behaves in a way implying that he *does* have superior status, then the exercise of authority is resented. While power does not require two-way communication, authority probably does. Since authority rests on the consensus of subordinates (as well as superordinates), the authority figure presumably must communicate sufficient information about overall objectives so that his subordinates understand not only their jobs, but also his. This is needed in order to obtain their agreement that his role calls for him to engage in certain influence acts in order to discharge his own responsibilities.

(3) Leadership. An interaction between persons such that the influence target becomes convinced that his outcomes (benefits/costs ratio) will be improved if he behaves as the influence initiator desires. It produces behavior that is self-motivating, and which therefore requires no supervision for compliance. Communications skills are more important for leadership, as here defined, than for either power or authority influence attempts, because its essence is the development of a new state of knowledge, belief, or attitude in the influence target. In the present set of definitions, a key requirement for leadership is that the influence target probably must always have the option of deciding for or against compliance with the leader's wishes, without incurring coercive penalties. Either or both of two kinds of reward potentials probably underlie successful leadership attempts—the conviction that compliance will produce *intrinsic* benefits, that is, the act desired by the leader is really best; and that the act will result in social approval of the follower by the leader.

These distinctions are summarized in Figure 4. An inference is that leadership is interpersonal interaction that is characterized by avoidance of direct confrontations and is based upon the skills required to move persons or groups toward goals without making power or status differentials too obvious. It is tempting to go one step further and relate

Power, Authority, and Leadership

	Communication Requirements	Consequences of Noncompliance	Basis of Influence Attempt	Organizational Consequences
Power	Unilateral. Communication upward not a requirement and not desired except when power figure may desire to reduce the apparent power differential.	Coercive deprivation by power figure, or assessment of coercive penalties.	Control of positive and negative sanctions.	Resistance, noncompliance where possible, high costs of supervision, low morale, and turnover where possible.
Authority	Two-way. Influence is exerted primarily downward, but may be reversed. Upward communication essential for confirmation of mutual understanding of basis for and scope of authority.	Possible negative sanctions by peers in the work group, and/or by organizational representative because of non-attainment of goals.	Mutual understanding between superordinates and subordinates of the requirements placed by the organization on the various position incumbents between whom authority relations exist.	No negative consequences for influence attempts based only on authority. However, compliance probably requires supervision, or control systems, or both.
Leadership	Two-way essential. While the influence is primarily directed from leader to follower, receptivity to counter-influence attempts is essential.	None, except where there might be (a) net loss of benefits by not acting in intrinsically beneficial manner, or (b) reduction in approval by a respected leader.	Capacity to interact successfully with subordinate to influence belief systems, etc., and (probably) a means of earning the subordinate's respect.	Increased organizational effectiveness to the extent that the leader's influence attempts are *competent*, i.e., do identify more adaptive courses of action.

Figure 4

Social Exchange in Formal Organizations

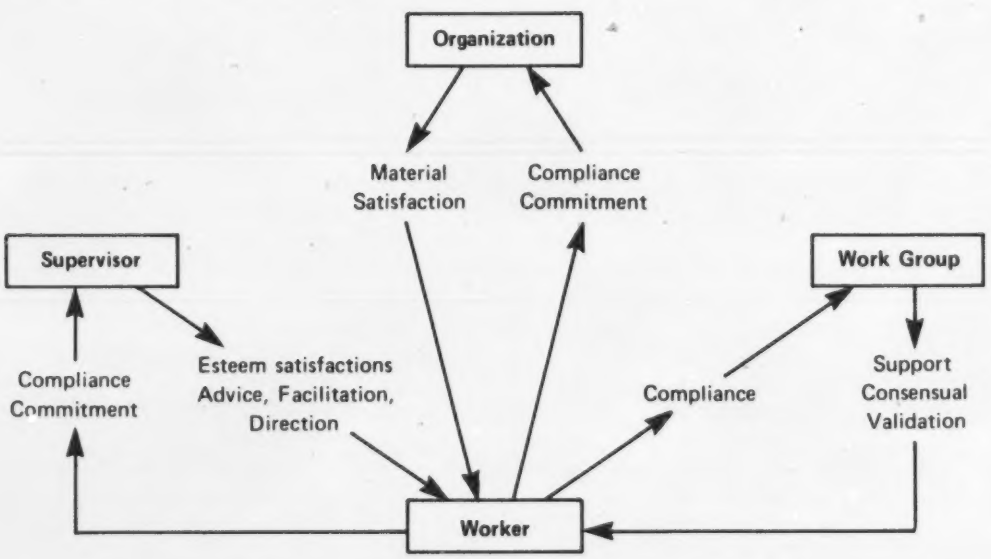

Figure 5

power, authority, and leadership to derivations from social exchange theory. Exchange processes within formal organizations are represented in highly simplified form in Figure 5, which constitutes an attempt to schematize the exchange of benefits between major elements of the system.

While there could be argument with the content of the figure, the concept illustrated probably is reasonable. Material satisfactions are shown as the major contribution of the organization to the worker, because these seem to be the principal incentives offered; they are easy for the organization to manipulate. The worker's primary source of esteem satisfactions probably is the work group of which he is a part. However, it is worth noting that esteem satisfactions *can* come from the supervisor as well. From the point of social exchange theory, this may well be one of the most important incentives the supervisor can offer; it is probable that it is one of the few that he *can* offer, and is one incentive the organization usually does not undertake to provide except at higher levels.

Perhaps at the risk of oversimplification, it may be possible to view leadership as behavior that succeeds in producing movement toward goals without deprivation of esteem satisfactions and without disruption of the equity of exchange between the worker and either the organization or the group. The suggestion is that inequity in exchange, or the fear of future inequity, is the principal source of resentment among organization members when it does in fact occur.

The Role of Leadership in Formal Organizations

If these definitions are taken at face value, it seems likely that little leadership occurs in most formal organizations, and for fairly good reasons. First, leadership is not very cost-effective. Persuasive interaction that is effective in changing the beliefs and attitudes of organizational members and the norms of work groups is difficult and time consuming. Further, the implication of deferring a decision regarding compliance to the subordinate may be severely threatening to the self-esteem of the supervisor, which he may not be able to tolerate. Influence attempts based upon authority relationships are most efficient, but in the present view, must ultimately rest upon mutual understanding that derives ultimately from the use of leadership techniques. The end result is that, in many formal organizations, there probably is an over-reliance on position power, implemented through formalized control systems, to govern the behavior of organizational members and ensure at least a minimum level of productivity that must be achieved at the risk of incurring formal sanctions.

The cost of this over-reliance on position power probably falls into three areas. One is inflexibility caused by resistance to change, and another is fixation of organizational performance at some minimum level, rather than at the much higher levels sometimes needed. Still a third is resentment by those over whom power has been used excessively. It is probable that the stereotyped resistance response to the use of position power for initiating organizational change is not so much the fact that either the change itself is undesirable, or even that there is an invidious esteem comparison, as was suggested earlier. Rather, it is conceivable that resistance may stem from the fear that management may eventually require unreasonable performance if resistance is not forthcoming to *any* change in performance standards. If this is so, the response to unilateral decisions about performance standards that are implemented by fiat then is resistance and, to the extent possible, noncompliance. Thus, as McClelland (1969) suggested, the evil in power is the potential for arbitrary application. It is this that is feared, and it is probable that the removal of the sense of arbitrariness is the key to the effectiveness of participatory leadership techniques long advocated by human relations theorists.

The addition made by social exchange theory to an understanding of leadership in formal organizations is that, in this view, participation itself may not be the key factor.

Assuming the denigrating aspects of the arbitrary application of position power can be avoided, the key factor is probably *effective representation of the organizational member, to ensure that the equity of his outcome is not compromised by the arbitrary actions of his own superordinates*, particularly those that might be motivated by selfish interests. Indeed, this seems to be the sense of McMurry's (1958) "benevolent autocracy."

Evidence for this thesis is found in a study by Fleishman (1965). One problem of substantial concern to industrial management is a characteristic production drop when changeover occurs in the product or process of a line operation. This is a cyclic phenomenon, consisting of a stable production rate preceding changeover, an often substantial drop following changeover, and a gradual recovery of output.

The Fleishman study was of conventional design, apparently to demonstrate the classical finding that worker participation in deciding how the new job ought to be done would result in a smaller drop following changeover and a more rapid recovery in productivity. The experimental group received a fairly typical treatment, including participation in decision making about the change. The findings indicated that, as expected, this group did not drop appreciably below its plateau on a previous product, and completed an expected eight-day run on the new one in three days. Further, when shifted back to the earlier product, they not only did not show a productivity drop, but actually showed progress to a higher plateau than had previously been obtained on that product. Unexpectedly, however, the control group that had no opportunity for discussion *was indistinguishable in all respects from the experimental group.* The "hindsight" explanation was that in the actual work force the experimental and control groups were intermingled and must have had substantial interchange of information and views. The experimental group then "represented" members of the control group. This strongly suggests that participation itself is not a requirement, but rather that representation alone is sufficient.

Some additional data from a pilot study further support the contention that participation may well not be the crucial variable, but rather the worker's concern with the equity of exchange between himself and the organization. Respondents at several different levels were asked to give examples of effective and ineffective leadership they had noted in their own superordinates. Responses were classified by content as shown in Tables 1 and 2. While the numbers are quite small, it is fascinating to observe that the most frequent category for good leadership dealt with the superordinate's behaving in a fashion interpreted by his subordinates as showing loyalty to them. This could be taken as an operational definition of the norm of reciprocity. Conversely, the most frequent example of poor leadership consisted of superordinates' behavior that subordinates interpreted as seeking personal gain at their expense, that is, using their efforts to obtain esteem or status rewards for himself, which then would constitute a relative deprivation for them. It should be noted that relative status deprivation was also identified as a key variable by McClelland (1969), and logically follows from social exchange theory (Blau, 1964).

The question of the role of leadership in formal organizations still remains, although the basis for an answer seems to be contained in the preceding considerations. It would appear from this analysis that supervisors frequently, because of threats to their own self-esteem and perhaps also because of lack of time to do otherwise, initiate actions solely on the basis of position power. (While most supervisors do not have the power to hire or fire or adjust wages, almost all do have the power to impose "costs" in the form of esteem deprivations. To the extent a supervisor can do so, and get away with it, he then has a type of coercive power over his subordinates that he derives from his protected position.) Because this is typically effective *in the short run*, it probably tends to get learned as an expedient method, overlooking the long-range costs that are expressed as requirements for closer supervision, as turnover, and so on.

Table 1

Workers' Observations of Effective Leadership of Supervisors

Categories for Good Leadership	Worker's Level Within Organization					
	5	4	3	2	1	Total Number
Loyal to Subordinates	4	3	5	7	16	35
Communicated	11	3		2	7	23
Set Example	5	11	4	4	7	31
Provided Motivation (Verbal)	1	2	2	3	1	9
Displayed Professionalism			4		4	8
Proper Amount of Supervision	7	1				8
Organized		2	1		2	5

Table 2

Workers' Observations of Ineffective Leadership of Supervisors

Categories for Poor Leadership	Worker's Level Within Organization					
	5	4	3	2	1	Total Number
Looking for Personal Gain at Expense of Others	7	2	5	3	6	23
Failure to Communicate	3		3	2	7	15
No Concern for Welfare of Subordinates	2		2	2	6	12
Criticized Publicly	5	2		3	2	12
Unfair–Inconsistent	2	4	4	1		11
Harassment–Threats–Pulling Rank	3	4	1		1	9
Over-supervising	2	4	3			9
Bad Example	1			2	4	7
Mishandling of Discipline				2	4	6
Lazy–Not Involved		2	1		2	5

In contrast, when the behavior of the superordinate reflects concern for the equity of exchange between subordinate and organization (and between subordinate and himself), it is likely that these long-range costs can be avoided. However, there can be little doubt that the kind of interaction that constitutes leadership is not cost effective for trivial actions. It may well be that it is cost effective only for such problems as initiating change in the production process. However, for at least these applications, it seems necessary for the maintenance of organizational effectiveness.

Summary

Although perhaps overly brief in derivation, an attempt has been made in this paper to define leadership (in relation to power and authority) in terms of the impact of various types of influence attempts on the subordinate in formal organizations. A basic

assumption has been that the nature of the influence attempt used, the skill with which the influence initiator acts, and the impact of the influence attempt on its target all depend on social learning that occurs throughout the process of socialization. Thus, both superordinates and subordinates in formal organizations act and react in terms of cultural values, group norms, and equity considerations derived from the socialization process. As such, leadership is not a unique phenomenon, but rather is a type of role behavior that is learned and executed better by some than by others, depending upon the resources they can bring to bear on the attainment of group goals. Social exchange theory seems to provide a useful framework for analysis of the impact of superordinate influence attempts. Within this frame of reference, a principal conclusion of this paper is that most "leadership problems" in formal organizations probably stem from supervisory behavior that obtains greater-than-warranted esteem satisfactions for the supervisor, at the cost of deprivation of subordinates.

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